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November 21, 2000

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ex Parte

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> St., S.W. – Portals  
Washington, DC 20554

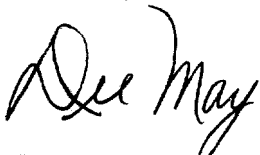
RE: Application by Verizon New England Inc., et al., for Authorization To Provide In-Region, InterLATA Services in Massachusetts, Docket No. 00-176

Dear Ms. Salas:

Yesterday Verizon met with Ms. D. Attwood, Mr. R. Lerner, Mr. G. Reynolds and Mr. J. Carlson of the CCB. Representing Verizon were Mr. D. Evans, Mr. M. Glover, Mr. J. Conroy, Ms. K. Zacharia and myself. The material reviewed at the meeting is enclosed.

The enclosure has been redacted. A confidential version is also being filed. Please let me know if you have any questions. The twenty-page limit does not apply as set forth in DA 00-2159.

Sincerely,



Redacted Enclosure

cc: D. Attwood  
J. Carlson  
E. Einhorn  
R. Lerner  
S. Pie  
G. Reynolds

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REDACTED – FOR PUBLIC INSPECTION



# **Verizon Massachusetts UNE Pricing**



## Massachusetts Loop Rates

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- MA UNE loop rates were set by the DTE based on TELRIC
- MA loop rates are reasonable and in line with New York

UNE Loop Rates	Massachusetts	New York
Statewide Average	\$14.98	\$14.52
Metro Zone	\$7.54	\$11.83 (Manhattan) \$12.49 (Major Cities)

- MA Metro loop rate is the third lowest in the country



## Massachusetts Switching Rates

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- Massachusetts UNE switching rates were set by the DTE based on TELRIC
- Verizon voluntarily reduced those rates
- The DTE concluded that the Massachusetts and New York rates are “virtually identical”
  - WorldCom agrees (see 10/31 Ex Parte at page 3)
- The FCC held that the same rates that are now in effect in Massachusetts comply with the Act
- Robert Lopardo, WorldCom “When Verizon applied for long distance authority in New York, the New York commission’s rates.....allowed entry. Those rates in New York did not constitute a barrier to entry...And as a result, WorldCom did not object to Verizon’s application for 271 authority in New York.” (Mass. Transcript at 5599)



## Massachusetts UNE Pricing

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AS A MATTER OF LAW, UNE RATES MUST COMPLY WITH THE ACT,  
NOT PROVIDE CARRIERS WITH A CERTAIN PROFIT.

- The Commission has found that a wholesale rate must comply with the Act's wholesale pricing standard; "the difference between (Verizon's) wholesale rates and retail rates" is irrelevant. New York Order 382.

Likewise, the inquiry for UNE rates is whether those rates comply with the Act's cost-based pricing standard. AT&T Corp. v. FCC, 220 F. 3d at 615.



## WorldCom's Margin Analysis

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- In addition to being irrelevant under the Act, WorldCom's Margin analysis is wrong
- WorldCom's scenario inflates costs and understates revenues



## Specific Examples

Residence Service	WorldCom's Ex Parte Example	Verizon-MA Average Customer	Verizon-MA "Sound Deal" Example
<b>Retail</b>			
Local / SLC	\$26.65		\$64.65
Toll	\$0		Included w/ exchange
Access	\$4.34		
Other (Features, ISW, etc.)	Included w/ exchange		\$5.60
<b>Total</b>	<b>\$30.99</b>		
<b>UNE-P</b>			
Loop	\$15.66		\$7.54
Port	\$2.00		\$2.00
Switching	\$10.50		\$10.50
Other	\$0		\$0.26
<b>Total</b>	<b>\$28.16</b>		
<b>Margin</b>	<b>9%</b>	<b>48%</b>	<b>74%</b>



## Conclusion

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- DTE applied TELRIC principles in setting MA rates
- Scheduled review in 2001
- AT&T and WorldCom have repeatedly attempted to re-argue DTE pricing decisions
- UNE-P rate allows market entry
  - Available to all participants
  - Appropriate basis for consideration for 271
  - Pricing on par with New York rates